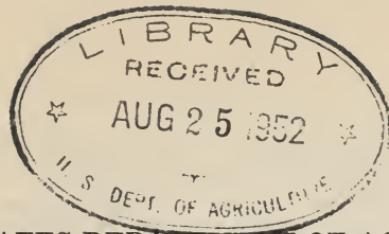


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AGRICULTURAL ADJUSTMENT ADMINISTRATION

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AGRICULTURE AND FOREIGN TRADE

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Our agriculture grew to its present size while we were a debtor Nation. In the years before the World War our cotton, wheat, and lard flowed out to pay the interest on foreign investments here. In that period nearly one-fifth of our farmers' incomes came from sales to other countries.

The war changed all that. We went in owing \$200,000,000 annually to other nations. We emerged with other nations owing us \$500,000,000 annually.

In such a situation we could not hope to continue both to sell abroad and to collect on our investments abroad without accepting more foreign goods in part payment. We tried the impossible. And we found a formula that seemed to work for a time. We lent other nations the money with which to continue buying from us. But when we quit lending our customers quit buying.

Agriculture paid heavily when that day of reckoning arrived. With export markets closed, crops like wheat and cotton that could be stored piled up on our hands. Perishable goods like pork and lard backed up on the home market, which could absorb them only at greatly reduced prices.

An American corporation can establish branches in foreign countries to keep its place in the markets of the world. Thousands have done so. The American farmer cannot do this. So in the years of declining world trade he kept on producing for a market that was no longer open to him—a market which could only be opened by a national policy of accepting goods from other nations in return for what we shipped them.

It was not merely a question of price. It was not that other countries did not want our goods. But until and unless we could find a way to accept goods or services in exchange for our exports, our farmers faced a prohibition as effective as a boycott. They still face it.

In the past 4 years, barred out of markets for the export commodities, and forced to take lower and lower prices for them, grain and livestock farmers snatched at dairying and poultry-keeping to keep their heads above water. Their rush into these lines created new difficulties.

Last year the Government stepped into this desperate situation of agriculture with emergency powers granted under the Agricultural Adjustment Act. It was the necessary policy of the Agricultural Adjustment Administration to help farmers adjust the acreage of the principal crops to the point at which, with average yields, these acres will supply the needs of the domestic market and such export demand as can be maintained or developed.

I am convinced that by using the powers of the Agricultural Adjustment Act the farmers of the United States have bettered their positions and that the aid came at a time when it was desperately needed. They have cooperated in establishing a mechanism for flexible control of their productive effort.

But what they and the Government are doing now is distinctly an emergency effort. The future of the movement is closely knit with the future of world trade. The extent to which acreage should be withdrawn from production in the future depends upon the extent to which we can regain or expand our world trade.

It is time for the farmers of the United States to wake up to the fact that international trade cannot be one-sided. An amazingly large number of men in the United States still believe we can sell abroad without buying from abroad; that some miracle-working formula can be found to unlock the gates to our exports, while sealing still tighter the doors that shut out imports.

This is a most persistent delusion. It was fostered through years of refusal to face realities. Throughout the country as a whole, we are not facing them yet. It seems to me that we are not yet willing to concede that if we are to regain a market for goods which we produce more efficiently or of better quality than others can produce them, we must be prepared to take in return products which our customers can turn out more efficiently or of better quality than we can.

Unless we all do some straight, hard thinking, and forge out a rational policy on the anvil of free, intelligent discussion I fear the drift of this country is likely to be toward still further restrictions in trade, rather than toward freer trade.

In the light of the trend to lower exports, and at the same time to the development of an attitude calling for erection of trade barriers between us and other countries, even between sections of our own country, it is essential to consider the future. What lies before our farmers if, in consequence of our own actions, we permanently lose the export markets for the products of our farms and ranches?

Certainly, if we drift, then agriculture and the Nation face serious alternatives. A policy of drift would bring us up against an accomplished fact of loss of export markets. When we faced that fact, we should either have to give farmers assistance in contracting their producing plant, or let them make their own adjustments in a dog-eat-dog struggle to survive. If we let the devil take the hindmost in such a struggle, the devil may take all. The threat to national well-being is terrifying.

If we undertake, as a conscious national policy, to cut down our farm production to the needs of the domestic market, we are in for an equally painful period of social, economic, and governmental change. We had an inkling of what would be necessary last fall when the Governors of five Northwestern States demanded that the Federal Government embark immediately on a program of rigid price-fixing, backed up by definite limitation of farm production and marketings by Government control and direction.

Instinctively, I shrink from the application of arbitrary Federal power to regulating the production of American farms. The Agricultural Adjustment Act was not based upon that principle, and nothing that has been done under the act can honestly be assailed as Federal regimentation of the farmer or his business. We are proceeding on the principle of voluntary cooperation. I believe that principle can be made to work during this emergency period while farmers are tiding over until the Nation readjusts its relation with the world so that we may trade freely once more.

But unless we start moving now toward rebuilding world trade, economic desperation may force the farmers of the Nation under a system of rigid controls, with freedom of individual action sharply limited. I do not welcome such a development. I know of no one of my associates in the Agricultural Adjustment Administration who does. I am merely afraid that, if we drift, we will end up at that point.

But this administration is not following a policy of drift. It is following a middle course. Its leaders are constantly holding the problems of international trade before the eyes of the people. No one has done more effective work to that end than the Secretary of Agriculture. I trust that his efforts and those of others will bear fruit. I hope to see discussion and action to choose deliberately a course that will assure our people a trading opportunity overseas by giving the other nations a trading opportunity in the United States.

There is no painless way out. Someone will be hurt, no matter what choice the people of the United States elect. If we move toward establishing world trade, then it is likely that we shall have to restrict our activities along certain lines in order that we may have fuller development and richer returns from others. The difficult task ahead lies in determining which lines we must purchase from abroad if we are to be able once more to sell abroad.